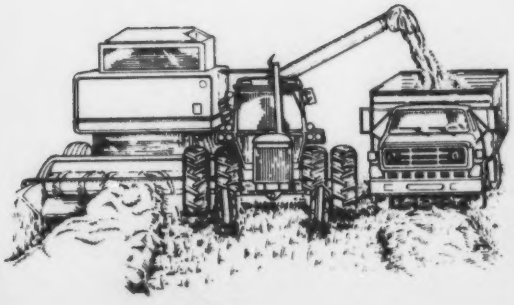
Saskatchewan
Agriculture

Economics
Branch

Farm
Management



Sources of Farm Credit in Saskatchewan

M4 01/87 0-88656-346-1

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Preface

The growth of Saskatchewan's agricultural industry continues to depend heavily upon capital investment. Farms continue to grow in size and high levels of investment are required in land, machinery and inputs. Paralleling the increase in capital investment on farms is the demand for farm credit.

It is advantageous to use credit as long as the income produced is greater than the expense. There must be considerable pre-loan as well as post-loan analysis, including cash flow projections, in considering a loan program. All expenses that could occur, such as depreciation, cash expenses, labour and the cost of interest on the borrowed money should be considered. In this way, credit is viewed as a tool of production just as machinery and equipment are considered tools. If wisely used, credit can do a good job of increasing profits and expanding the farm resource.

This bulletin describes the sources of farm credit available to farmers in Saskatchewan. It provides a guide to farm managers who seek agricultural credit. Farm managers should plan their credit management carefully and discuss their requirements with local representatives of several lending institutions before making credit decisions. Farm credit is a useful tool but it should be used wisely. Saskatchewan Agriculture staff are able and willing to assist in developing your farming plans.

Readers are cautioned that information contained in this bulletin may become out of date as credit programs are changed or updated. Call the appropriate agency for the latest details.
The helpful assistance of the agencies in farm credit is acknowledged and appreciated.

Farm Management Section
Saskatchewan Agriculture
December, 1986

Provincial Agencies

Saskatchewan Farm Purchase Program

Room 331, Walter Scott Building
3085 Albert Street
Regina, Saskatchewan, S4S 0B1
Phone 787-9455 or 1-800-667-8172

A. Eligibility

On an Individual Basis

Rebate applications must be made in the name of an individual. Partnerships, co-operatives, and corporations cannot apply under the program. An application could be made by a member of one of these entities, and would be considered on the merits of the individual making application. Joint applications for rebate are not possible under the program, with one exception. A farmer and spouse can apply on a joint basis if the loan application is submitted on that basis. As joint applications are not allowed, it is possible to have more than one rebate application for each loan application. A farmer and spouse cannot be receiving rebates individually.

Principle Occupation

Rebates can be approved only to "bona fide" farmers. A "bona fide" farmer is defined as a farmer who will, after purchasing land under the program, spend a majority of his time in managing and operating the farm and derive a majority of his income from the farm. The definition also includes those persons who plan to phase into a farming operation. They have a specified time period of up five years from the date of enrollment to become a bona fide farmer.

Non-Farm Income

To be eligible for rebate, the average annual income earned from non-farm sources during the three years preceding enrollment as filed with Revenue Canada cannot exceed the following levels:

- Single Applicant - $35,000

- Applicant with a spouse - $45,000

An exception to the 3 year non-farm income averaging provision may be made where prior to making application non-farm employment has been terminated or has been reduced to a level which on an annual basis will not exceed the eligibility figures listed above.

Approved Lenders

Lenders must be Farm Purchase Program approved. Rebates are paid only on loans or portions of loans obtained through one of the approved lenders. The following lending institutions are approved:

Bank of Montreal
Canadian Imperial Bank of Commerce
Credit Unions
Farm Credit Corporation
The Bank of Nova Scotia
The Royal Bank of Canada
The Toronto Dominion Bank

Land Leased From the Province

If an applicant leased cultivated land from the province, and that land is available for sale, that land must be purchased before a rebate can be approved for the purchase of other land.

Net Worth

"Net Worth" is as calculated by one of the approved lenders and includes the assets and liabilities of the applicant, the spouse and children under 18 years. The net worth is calculated as at the date of loan application.

An applicant with a "net worth" not exceeding $200,000 may qualify for rebate on loans utilized for eligible land purchases to a maximum of $350,000. A farmland purchaser with a net worth of $300,000 or more is not eligible for an interest rebate.

The amount of loan eligible for rebate is reduced by $3.50 for each $1.00 of net worth exceeding $200,000. If net worth is between $200,000 and $300,000 the amount of loan eligible for rebate is: ($300,000 minus net worth) x $3.50.

Applicant Must Not Purchase Land from Him/Her Self

Where an applicant is purchasing land from a partnership, co-operative or corporation of which he is a partner, member or shareholder, his/her share of the land already owned in the partnership, co-operative or corporation cannot be enrolled in the Program.

Time of Application

Farm Purchase Program enrollment applications are completed by the participant and the lender at the time of application.

B. Amount of Rebate

Amount of Loan Eligible for Rebate

The maximum amount of loan eligible for a rebate is determined by four factors:

1. $350,000 maximum eligibility under the program,
2. Net worth of the applicant,
3. Amount of loan utilized for eligible land purchase,
4. Net increase in bareland value.

1. **$350,000 maximum eligibility under the program** - An eligible applicant can qualify for rebate on land purchase loans up to a maximum of $350,000. There is no limit on the number of loans made to an applicant in reaching this maximum. Eligibility cannot be re-established by disposal of some or all of the land purchased under their program.

2. **Net worth of the applicant** - The maximum amount of loan eligible for a rebate is reduced by $3.50 for every $1.00 of net worth greater than $200,000.

3. **Amount of loan utilized for eligible land purchase** - The loan must be for the purchase of land which has not been owned by the purchaser within the previous 5 years. The loan is applicable only for bareland purchased after December 17, 1982.

4. **Net increase in bareland value** - The maximum amount of loan eligible for a rebate is the net increase in bareland value for the applicant. The net increase is determined by subtracting the total selling price of land sold in the previous 12 months and currently being sold from the total purchase price of land purchased in the previous 12 months and currently being purchased.

Rebate Calculation

For the first five years of a loan, Farm Purchase Program pays interest rebates equal to the difference between payments at a base interest rate which is calculated by Farm Purchase Program and what payments would be at 8%. For the next five years, rebates equal the difference between payments at the base interest rate and 12%.

The Farm Purchase Program base interest rate is the AVERAGE of interest rates obtained by Farm Purchase Program participants when they enroll in the program, renew their mortgage, or transfer the loan to another lender. A base rate is calculated for each type of loan (e.g. 1 year fixed, 3 year fixed). To receive maximum benefit from the program, a borrower should negotiate the lowest possible interest rate from his lender. The rebate is based on amortized payments over the loan's amortization period.

Method of Payment

Participants will receive semi-annual rebate payments directly from the Farm Purchase Program, as long as the conditions of the loan are met and the loan is in good standing.

C. Post Loan Administration

The approved lender will continue to administer loans in accordance with its policy and procedures. Loans eligible for rebate will be billed in the usual manner and the borrower will be expected to meet the commitment. Rebates will be issued following the payments.

Under the program, clients are responsible for advising the Farm Purchase Program of any change in eligibility as it pertains to land ownership or bona fide farmer status.

Agricultural Credit Corporation of Saskatchewan

Saskatchewan Agriculture
Walter Scott Building,
3085 Albert Street
Regina, Saskatchewan S4S 0B1
Telephone 787-6460 or Toll Free 1-800-667-7167

Objectives

The program is designed to assist smaller and beginning farmers to develop viable and economic farming operations in Saskatchewan. The Agricultural Credit Corporation of Saskatchewan (ACS) extends credit to eligible persons establishing or expanding livestock and/or irrigation enterprises.

A. ACS Loans

Qualifications

Credit is available to those who plan to be actively involved in farming as well as to those who are already farming. Applicants must be Canadian citizens or landed immigrants and permanent residents in Saskatchewan. The maximum term of the loan is 15 years. Applicants must be at least 18 years of age and be able to retire the loan by age 65. Therefore, the loan term shortens after the applicant reaches 49 years of age. The applicant's net worth cannot exceed $450,000 and his non farm income (averaged for the last three years) can be up to $45,000 if he has dependents. For ACS purposes, a farmer's net worth is the value of all assets owned minus all liabilities.

Amount of Loan

The maximum loan available is $350,000.

Purposes

ACS loans may be used for the following purposes:

1. Purchase breeding stock or withhold livestock to establish or expand basic breeding herds. Livestock includes beef, dairy, swine, sheep, poultry, honey bees, goats, horses, and fur bearing animals raised in captivity.

2. Clear, break, and seed land for grazing or perennial forage crop production.

3. Purchase, construct, or renovate, buildings and improvements in conjunction with livestock or irrigation expansion.

4. Purchase equipment which is essential to livestock or irrigation production. Equipment which can be used for grain production does not qualify.

5. Level land and purchase irrigation equipment including specialized equipment for the seeding harvesting, storing, or processing of irrigated crops.

6. Purchase feeder hogs or feeder cattle for finishing operations being established or expanded on a permanent basis.

7. Purchase land on which an intensive livestock operation will be established to a maximum of one quarter section per applicant.

8. Purchase, construct or renovate buildings and equipment for a greenhouse enterprise.

Repayment Terms

The maximum loan term is 15 years. Repayment schedules are set up to coincide with sale of production and may be established on a monthly, quarterly, semi-annual or annual basis depending on the enterprise. Partial or total repayment of loans can be made at any time without penality.

Interest Rate

Interest rates are fixed for the term of the loan and are based on the applicant's net worth.

Interest rates for subsidized loans are 8% for the first five years, 12% for the next five years and at a rate based on the Corporation's cost of borrowing, at the time of loan approval, for the remaining five years.

Interest rates on loans for livestock facilities are 8% for the term of the loan.

The interest rate for non-subsidized loans is fixed for the term of the loan at a rate based on the Corporation's cost of borrowing at the time of loan approval.

Security

All loans must be reasonably secured. Security may take the form of land and chattel mortgages or guarantees on behalf of the applicant.

Other Terms and Conditions

1. A farm plan and financial projection must be drawn up for the proposed farm operation. This projection must show that the applicant's operation will produce sufficient income to repay the loan and provide money for future growth. All applications are approved or rejected on the basis of farm plan feasibility, the applicant's ability to manage the proposed farm operation, need and other relevant factors.

2. The farmer is required to keep adequate records and to provided ACS with financial and production information upon request.

3. The farmer is required to have life insurance in the amount of the loan. Also insurance may be required to cover fire, theft and other losses depending on security requirements.

4. Applicants lacking practical experience and knowledge to successfully manage and operate a farm may be required to enroll in an appropriate training program.

B. Corporate, Co-operative and Partnership Loans

Loans are available to co-operatives, corporations and partnerships only if every member of the organization is eligible for a loan. If all members of the organization do not qualify, those members that do qualify may apply on an individual basis. The amount of money which can be borrowed by a multiple operator unit is equal to the sum of the amount which may be borrowed by each individual member.

C. Livestock Cash Advance

This program provides livestock producers with repayable cash advances which are interest free for up to 12 months from the date of disbursement of funds.

Assistance is provided for cattle, sheep, goats and horses owned by the applicant 10 days prior to the disbursement of funds.

Operating Credit

ACS borrowers who obtain a capital loan and who lack the necessary finances for operating expenses may apply for a guaranteed operating loan.

How to Apply

Application forms are available from ACS staff located in centers throughout the Province.

Counselling and Assistance for Farmers Program

The program provides counselling assistance and guarantees on operating loans and/or consolidation loans to farmers with financial problems. It's aimed at farmers who have had difficulty obtaining operating funds from their primary lending institutions.

Through a system of farmer panels, applicants can present their situation for an independent review. The panels consist of farmers with proven financial, managerial and production skills. They may recommend changes in production and managerial techniques which would improve net farm returns. They could encourage improved communications between the applicant and his lender if lack of communication is contributing to the problem.

Eligibility

An applicant must:

1. Have a net worth not exceeding $500,000.

2. Have a net worth of not more than 60% of total assets.

3. Have farming as a principal occupation.

4. Be a Saskatchewan resident.

Financial assistance is available for operating and/or consolidation.

To take advantage of the program, eligible farmers must complete an application form, farm plan and have them verified by the designated lenders.

Information contact:

Program Chairman
Counselling and Assistance for Farmers
Room 223
Walter Scott Building
3085 Albert Street
Regina, Saskatchewan
S4S 0B1
Phone: 787-5165 (Regina)
or 1-800-667-9819 (toll free)

Feeder Association Loan Guarantee Program

Saskatchewan Agriculture
Economics Branch
Room 329, Walter Scott Building
Regina, Saskatchewan
S4S 0B1
Phone 933-5744 or 787-5206

Purpose

The program assists Saskatchewan residents to form feeder associations and to borrow funds from financial institutions with the backing of government guarantees. Borrowed funds must be used to purchase feeder cattle and place them on member's farms or in custom feedlots on behalf of members.

Member Eligibility

An association must have a minimum of six members who are:

(i) residents of Saskatchewan;

(ii) at least 18 years of age.

Eligible Cattle

Loans maybe made for the full value of feeder cattle purchased from licenced livestock dealers (feeder cows, bulls and breeding stock are excluded). An "advance" up to 75% of the value of a producers own cattle is available from an association.

Terms of Loans

Loans are for a maximum period of 12 months (may be extended to 15 months under special circumstances)

Loan Limits

The government guarantee limit is $3 million for any association. Borrowing limits for association members are as follows:

(i) First year member - $25,000

(ii) Second and third year members - $50,000

(iii) Members over three years - $100,000

Security

Government guarantee is 25% of the amount an association is authorized to borrow from financial institutions. Members are required to place in an assurance fund 5% of the value of the cattle on feed.

In the event of default, the Association repays loans from the assurance fund before any payment is made under the government guarantee.

Interest Rate

Interest rates are negotiated by the association with the financial institution. Rates should be competitive or better than an individual can obtain.

Operation of Associations

Associations are formed as co-ops or corporations. Associations can then apply for a government guarantee.

Associations appoint a secretary - treasurer and a local supervisor to monitor cattle on feed.

Agricultural Crown Land Sales Policy

In 1983 the restriction requiring leasees to wait five years before applying to buy leased Crown land was eliminated. Leaseholders can now buy all or part of their leased land, which is eligible for sale, anytime at market value under a time sale agreement. The agreement requires a down payment of 15%. The repayment period is 15 years and the interest rate is 10% for the first 10 years.

To apply or for further information contact:

Any local Saskatchewan Agriculture Land Representative

or Lands Branch
Saskatchewan Agriculture
3085 Albert Street
Regina, Saskatchewan
S4S 0B1
Phone: 787-5200

Saskatchewan Economic Development Corporation

SEDCO, a Crown Corporation of Saskatchewan was founded in 1963 to provide financial assistance to business concerns in Saskatchewan.

Purpose

SEDCO offers a comprehensive range of financial services from term loans, equity participation, inventory/working capital, financing to industrial parks and individual sites.

Long term loans are available for specialized agricultural purposes such as livestock, poultry, market gardens, purchase of agricultural equipment, and investment in land.

Terms

Long term financing can be arranged through mortgage loans. This form of financing is suitable for construction of new plant facilities or the purchase of an existing facility. Short term loans are available to finance the purchase of machinery and equipment.

Interest Rate

Interest rates on SEDCO loans are equal to or better than prevailing market rates and are subject to renegotiation every five years.

Repayment

Repayment will usually be in monthly installments of principal plus interest and begin after the completion of the project. The term of the loan is usually amortized over the life of the assets pledged as security. Special repayment schedules can be arranged based on the earning pattern of the borrower, as for example in the case of seasonal businesses.

Security

Security for the loan can be in the form of first or second mortgages, and could include life insurance and personal guarantees.

Eligibility Criteria

To be eligible for developmental financing, a project must significantly contribute to economic expansion and/or distribution of economic activity in the province and demonstrate benefits accruing to the province as measured by one or a combination of:
- job creation or maintenance of existing jobs
- productivity increase
- volume increase in goods and services
- business deemed essential or important to a community
- identifiable social priority.

Approval Criteria

To qualify for approval, eligible projects must:
- demonstrate financial viability (based on normal standards of credit worthiness)
- furnish acceptable security
- assure capable management.

Application Procedure

The prospective client is encouraged to contact SEDCO in the early planning stages of a project or proposal for which SEDCO assistance is being considered.

The value of initial contact is to establish the project's eligibility for support and to determine the type of information to be included with the formal application for financing.

Upon receipt of the application and prospectus, a standard appraisal of the project or proposal is undertaken by SEDCO.

Following SEDCO's approval of an application, an offer of finance outlining the major terms and conditions of assistance is sent to the applicant. Upon acceptance of the SEDCO offer and following completion of the legal requirements, loan funds are disbursed in accordance with the requirements of the project or proposal being financed.

Applicants are required to remit a negotiation fee with application for financing. Fee schedules may be obtained from any SEDCO branch office.

SEDCO Office Locations

Regina Branch Office
1106 Winnipeg Street
P.O. Box 5024
Regina, Saskatchewan
S4P 3W2
Phone: 787-7200

Saskatoon Branch Office
1600 SEDCO Centre
15 Innovation Boulevard
Saskatoon, Saskatchewan
S7N 2X8
Phone: 933-6296

Saskatchewan Power Corporation

2025 Victoria Avenue
Regina, Saskatchewan
S4P 0S1
566-2818 or toll free 1-800-667-5621

I. Enerwise

The Enerwise program provides low interest loans of up to $3,000 to Saskatchewan Power Corporation (SPC) customers, repayable over five years. The loan may be used for conversions to natural gas or electric hybrid heating systems, thermal upgrading of buildings or for the construction of new energy efficient buildings.

Who is Eligible?

All building owners including owners of single family residences, mobile homes, condominiums, cottages, commercial, institutional or recreational buildings.

Loan Details

- one $3,000 loan per customer.

- the present interest rate is 8% per annum fixed for the five year term of the loan. This interest rate is subject to change. Check with your local SPC office for the current interest rate.

- repayment term is 60 months on your SPC energy bill.

- the loan may be repaid at any time with no penalty.

- loans must be approved before you order any materials or begin any work.

- all Enerwise loans become due and payable if the building is sold.

II Construction Charge Financing

Construction charges not exceeding $2,000 towards the provision of standard farm electric service are eligible for a maximum $1,600 loan, repayable over six years. Loan repayment will normally be made in equal quarterly installments, but prepayment in full or in part is permitted at any time without penalty.

Requirements

- A down payment of not less then $400.
- Fully completed Farm loan document (Form B-147) completed by registered owner or purchaser.

Interest Rate

- Reviewed every 6 months. Currently is 11.5%.

- Interest rate is fixed for term of loan.

Federal Agencies

Farm Credit Corporation

Objectives

Through the use of long term credit, the Farm Credit Corporation is able to assist farmers to create viable agricultural units under the Farm Credit Act of Canada.

Purpose

FCC may extend credit to enable individuals to acquire farm land, assist certain relatives to acquire or improve farm land or farm buildings, buy livestock and machinery, pay debts, purchase shares of a farming corporation and any other sound agricultural purpose.

A. Types of Loans Available

1. Standard Farm Loans

Maximum loans can be $350,000 per individual or $600,000 for two or more qualifying applicants.

The amount of loan is limited to 100% of the value of land, buildings, machinery and livestock or the maximum loan criteria, whichever is the lesser. No maximum age limit has been established for standard farm loans.

2. Beginning Farmer Loans

Applicants who qualify may phase into farming over a period of not longer than five years. They may borrow the lesser of $350,000 per individual or $600,000 for multiple operator units or 100% of the value of the land, buildings and other security.

The applicant must submit a projected plan of the farm operation for the first five year period. It must be demonstrated that at the end of the five year period the principle occupation will be farming. In this way, they can continue to earn off farm income while they develop a viable farming business. No maximum age limit has been established for beginning farmer loans.

3. Shared Risk Mortgage

A Shared Risk mortgage offers flexibility and minimizes the risk associated with floating interest rates. The borrower and lender share the costs or benefits of fluctuating interest rates.

Borrowers are protected by a two and half per cent interest rate increase ceiling during the six year term of the loan.

Interest rates are adjusted annually to reflect market trends. If rates rise by 2 per cent, the borrower's rate will go up by only 1 per cent. If rates drop by two per cent the borrower's rate would drop by 1 per cent.

There is a choice of two payment schedules: adjustable and fixed.

Eligibility criteria and loan limits are the same as for other Farm Credit Corporation loans.

4. Commodity - Based Loans

Commodity-Based Loans provides assistance to Farm Credit Corporation borrowers in financial difficulty and whose business could be restored to viability through a reduction in their debt servicing burden.

To be eligible for this type of loan, applicants must be a Farm Credit Corporation borrower, must have an equity of less than 55% and qualify under the other standard loan criteria of the Farm Credit Corporation.

Debt-servicing costs are linked to commodity prices. Borrowers with 40% equity or less are eligibled for a fully-indexed loan at 6% interest. Borrowers with 55% equity or less are eligible for a partially-indexed loan with an interest rate of 6% plus half the difference between 6% and the current 10-year rate. Principal and payments increase or decrease with variations in commodity prices. Maximum a farmer can owe is equivalent to a mortgage carrying an interest rate 2% above FCC's 10-year lending rate.

Repayment Terms

Maximum repayment period cannot exceed 30 years. Loans are offered with a choice of 5, 10, 15 or 20 year renewal terms. Loans are repayable in equal annual or semi annual installments of interest and principal with the installment anniversary date commencing the beginning of any month.

Interest Rate

The interest rate to be charged on loans is prescribed by the Governor in Council according to the Farm Credit Act Interest Rates Regulations. The interest rate applicable to any loan is determined by the rate in effect at the time the loan is approved. The prevailing rate can be determined by contacting a Farm Credit Corporation representative.

Each different renewal term carries the same interest rate. As of May 20, 1986 the interest rates are as follows:

Term	Rate %
5 year	10¾
10 year	10¾
15 year	10¾
20 year	10¾
Share Risk Mortgage 1 year	10¾
Farm Syndicate Loans Up to 15 years	10¾

Security

All loans by the corporation must be secured by a mortgage on farmland. Personal or movable property including chattels may be accepted as additional security if necessary.

Other Terms and Conditions

1. Advisory Services (i.e. post loan counselling) is available to all applicants.

2. Voluntary life insurance is available on all loans up to the loan amount.

Appeal Boards

Each province has an appeal board composed of three farmers from different regions. Unsuccessful applicants can appeal a judgment if they are not satisfied with FCC's decision on any loan application

B. Farm Syndicate Loans

A Farm Syndicate is a group of three or more individuals, the majority of whom have farming as their principle occupation.
These groups, co-operatives or farming associations may obtain syndicate loans from FCC.

Purposes

Farm Syndicate Loans can be used for the joint purchase and use of machinery, equipment, buildings and improvements.

Amount

Maximum amount is $15,000 per member or $100,000 whichever is the lesser amount.

Repayment Terms

The repayment period for buildings and permanently installed equipment is 15 years and for mobile machinery the repayment period is seven years.

Security Required

All members of the syndicate must sign a promissory note, and will be responsible for the repayment of the loan. Chattel security may be requested on some loans.

How to Apply

Contact the Farm Credit Office in your area. Addresses of local offices are as follows:

Farm Credit Corporation
131 3rd Avenue West, Box 1060
Assiniboia, Saskatchewan S0H 0B0
Phone: 642-5282

Farm Credit Corporation
210 Main Street, Box 430
Carlyle, Saskatchewan S0C 0R0
Phone: 453-2595

Farm Credit Corporation
Federal Building, Box 937
Humboldt, Saskatchewan S0K 2A0
Phone: 682-3902

Farm Credit Corporation
125 1st Avenue East, Box 310
Kindersley, Saskatchewan S0L 1S0
Phone: 463-3822

Farm Credit Corporation
201 2nd Street West, Box 398
Meadow Lake, Saskatchewan S0M 1V0
Phone: 236-5850

Farm Credit Corporation
10 Wood Lily Drive
Moose Jaw, Saskatchewan S6J 1E1
Phone: 693-4077

Farm Credit Corporation
Parkview Square
201 - 1301 101st Street
North Battleford, Saskatchewan S9A 0Z9
Phone: 445-6222

Farm Credit Corporation
118 - 11th Street East
Prince Albert, Saskatchewan S6V 1A1
Phone: 764-6403

Farm Credit Corporation
201 - 2631 28th Avenue
Regina, Saskatchewan S4S 6X3
Phone: 780-5616

Farm Credit Corporation
Federal Building,
301 Main St., Box 1118
Rosetown, Saskatchewan S0L 2V0
Phone: 882-2231

Farm Credit Corporation
1016 8th Street East
Saskatoon, Saskatchewan S7H 0R9
Phone: 975-4248

Farm Credit Corporation
5th Floor, 350 Cheadle St West
Swift Current, Saskatchewan S9H 4G3
Phone: 773-2991

Farm Credit Corporation
713 - 100th Street
Box 820
Tisdale, Saskatchewan S0E 1T0
Phone: 873-4511

Farm Credit Corporation
Federal Building
149 3rd Street, Box 1177
Weyburn, Saskatchewan S4H 2L5
Phone: 842-3559

Farm Credit Corporation
119 1st Street East, Box 249
Wynyard, Saskatchewan S0A 4T0
Phone: 554-2344

Farm Credit Corporation
2nd Floor - 506 West Broadway
Yorkton, Saskatchewan S3N 0P3
Phone: 783-9431

Federal Business Development Bank

(Formerly Industrial Development Bank)
320 - 2220 - 12th Avenue
Regina, Saskatchewan S4P 0M8
Phone: 780-6478

FBDB
105 - 21st Street East
8th Floor
Canada Building
Saskatoon, Saskatchewan
S7K 0B3
Phone: 975-4822

FBDB is a crown corporation which succeeded the Industrial Development Bank in October, 1975. Objectives of the FBDB are to help in the establishment and promotion of small business enterprises by providing financial management services to any sound project.

Qualifications

1. FBDB will accept applications for agricultural loans, if credit is not available from other conventional sources.

2. Applicants must be of legal age.

Amount

No fixed amount.

Repayment Terms

The repayment period is set to suit circumstances up to a maximum of 20 years.

Security

Appropriate security is required.

FBDB provides Counselling Assistance for Small Enterprises (C.A.S.E.) management counselling service on matters such as financial controls, inventory planning expansion, and many other areas to assist owners to improve their methods. Counsellors are retired business people selected for their management experience.

How to Apply

Contact either FBDB office.

Farm Improvement Loans Act

The Farm Improvement Loans Act was passed by Parliament in 1944 to increase the availability of short and intermediate term loans for farms. The Farm Improvement Loans Act authorizes the Minister of Finance, through the Guaranteed Loans Administration, to guarantee approved lenders against losses, within certain limits. Approved lenders are banks, credit unions, trust and insurance companies.

Purpose

Loans can be used for purchase for farm equipment, farm buildings, livestock or the purchase of additional land to enlarge the farm operation. Loans may not be used to refinance existing debts.

Amount

The maximum amount may be $100,000 at any time. Loans may be used to finance up to 75% of the cost of livestock and equipment and up to 90% for other purposes. The repayment period for farm improvement loans varies according to use, with maximum repayment periods specified as follows: land - 15 years; farm implements - 5 years; and some purchases up to 10 years.

Security

Loans must be secured. Security is usually a mortgage on the property purchased.

Interest Rates

Currently the Farm Improvement Loan interest rate is at prime interest rates plus 1%. Lending institutions that make Farm Improvement Loans usually have their own agricultural loan package. A prospective borrower would be well advised to investigate terms and conditions of the banks' own loans versus Farm Improvement Loans.

How to Apply

For more information on the Farm Improvement Loans Act contact an approved lender.

Prairie Grain Advance Payment Act (Wheat Board Advance)

The Prairie Grain Advance Payment Act was introduced in the 1957-1958 crop year. It is federal legislation and is administered by the Canadian Wheat Board.

Purpose

It is to provide short term credit to farmers immediately after harvest when quotas are low.

Amount

Short term loans (cash advance) can be obtained by a grain producer up to a maximum of $30,000. Corporations and co-operatives can obtain up to a maximum of $90,000.

Qualifications

The applicant must be an actual producer and the holder of a Canadian Wheat Board permit book.

Repayment Terms

Repayment is made when grain is delivered to the elevator as quotas become available. As the producer delivers his wheat, oats and /or barley, the elevator agent will deduct from the payment for each tonne of that grain, an amount equal to the amount paid per tonne as an advance payment until the advance is fully repaid. The Cash Advance is interest-free as long as the provisions under which the cash advance were taken are fulfilled. The Federal Government provides Cash Advance funds at no interest charge to producer, and the Wheat Board administers the program on behalf of the Federal Government of Canada.

How to Apply

For more information and applications contact your grain elevator agent or the Canadian Wheat Board:

423 Main Street
Winnipeg, Manitoba R3C 2P5
Phone: (204) 949-3421

Central Mortgage and Housing Corporation

3303 Hillsdale Street
Regina, Saskatchewan S4S 6W9
Phone: 780-5880

CMHC programs and criteria vary between provinces. This in turn affects the extent to which this corporation is involved in rural housing.

Insured Mortgage Loans

Insured mortgage loans are available through local offices of Canada's private lending institutions.

Purpose

Assists the individual in purchasing a home.

Eligibility

Anyone purchasing or building a home who meets the lender's criteria.

Amount

The insured mortgage loan lets you borrow up to 90% of the first $80,000 of lending value and 80% of the balance. There is no maximum loan.

Term

The minimum term is one year. Amortization can be up to 40 years.

Interest Rate

An acceptable interest rate as determined by the lender.

Repayment

Terms are negotiable with the lender, but are usually monthly amortized payments.

Private Agencies

Chartered Banks

Five chartered banks in the province have agricultural departments with agrologists on staff. These banks have well developed agricultural programs and supporting services available for farm clients. They include:

1. Bank of Montreal
2. Bank of Nova Scotia
3. Canadian Imperial Bank of Commerce
4. Royal Bank of Canada
5. Toronto Dominion Bank

A. Kinds of Loans Available:

1. Operating Loans

These loans are used for credit needs associated with the general operation of the farm. Uses include purchase of fuel, seed, fertilizer, repairs, extra hired labor, custom work, etc. The amount of loan is established annually as a revolving loan. The user can borrow and repay the loan many times during the year but must not exceed the set limit. Interest is charged only on the money used at various intervals during the year.

2. Breeding Stock and Dairy Stock Loans

Loans can be used for acquisition of breeding stock. These loans vary from 3-7 years depending on circumstances. For example, loans for hog operations usually are 3 to 5 years while loans made for cow-calf operations can be for 6 or 7 years. The applicant may borrow up to 75% of the value of the animals purchased. In some cases, loans can be obtained up to 100% of the value of the animals where the security requirements can be met. Repayment can be semi-annual, or annual.

3. Machinery and Equipment Loans

These loans can be obtained for periods up to 10 years. The full price of machinery and equipment can be borrowed subject to meeting the security requirements. Repayment is usually annual or semi-annual.

4. Purchase of Land

Loans up to a 25 year term can be obtained. The maximum loan amount can be 100% of the land value subject to security requirements. Generally, the amount of loan obtained is 75% of the land value. Repayment is usually semi-annual or annual.

5. Building and Improvement Loans

Loans up to 75% of the value of the security provided can generally be obtained for a period up to 15 years. Some purposes other than building construction are wells, dugouts, fences and feedlots.

6. Debt Consolidation Loans

Banks can provide loans to repay other loans. The amount borrowed and repayment terms depend on security pledged and capacity to repay.

B. Interest Rate

The interest rate is usually based on a fluctuating basis above prime rate. The prime "plus" factor changes in accordance with the farm plan. It may also vary according to purpose, type of loan, payment terms, repayment ability of the borrower, management ability or credit record of the borrower.

C. Advisory and Supporting Services

In recent years most chartered banks have established agricultural loan departments and have agrologists on staff to assist farmers in farm planning and financial management. In addition,

banks provide life insurance and cheque accounting programs through their local branches.

Terms and conditions of loans and other services vary from bank to bank. Prospective applicants may wish to investigate each individual bank's policies before making their decision on a credit source.

Credit Unions

Credit Unions provide services in most areas of the province.

Purpose

Loans are most commonly used to purchase machinery and livestock, and to meet operating costs. Loans are also available to purchase land and buildings.

Amount

There are no fixed limits but the amount depends upon the availability of funds. The maximum term for land is 25 years, machinery is 7 years, and operating credit is 1 year.

Terms

The applicant must be a member of a credit union and the loan must be for his own use. Repayment terms are based on the applicant's ability to repay, his character, the purpose of the loan and security offered. Payments can be annual, semi-annual, quarterly, or monthly.

Interest Rates

The interest rate is set by the Board of Directors of the Credit Union.

Security

Security must be provided. It can be a chattel mortgage on the purchased assets, a mortgage on real estate or personal guarantee from another person. Security requirements are determined by law and the Credit Union's Board of Directors.

How to Apply

Contact your local Credit Union Office.

Credit Union Central

2055 Albert Street
Regina, Saskatchewan S4P 3G8
Phone: 566-1200

Credit Purpose

On a referral basis from local credit unions the Credit Union Central may make land loans available to credit union members. This is usually done when the local credit union has limited funds available for lending or the loan request is very large. Terms and conditions of Credit Union Central loans are similar to those offered by local credit unions.

Loans to Co-operative Farms

Credit Union Central can also make loans for land, livestock and machinery available to co-operative farms. Co-operative farms with high risk or low equity proposals may be financed by the Credit Union Central if the loans are partially or wholly guaranteed by the Co-operative Securities Board. The Co-operative Securities Board is a provincial government agency that may guarantee repayment of a loan to a co-operative if circumstances merit a guarantee. Terms and conditions of these types of loans are also similar to those of a local credit union.

How to Apply

Further information can be obtained at local credit unions or at the Credit Union Central.

Saskatchewan Wheat Pool

A. Feeder Finance Program

Purpose

To make credit available to individuals for the purpose of feeding livestock.

Qualifications

Applicant to be a pool member as well as have adequate feed and facilities.

Amount

Minimum of 10 head; maximum depends on facilities, feed and availability.

Interest Rate

One-half percent over bank's prime rate.

Terms

Loans must be repaid within one year or on the agreed time as provided for in the Conditional Sales Agreement. A 10% down payment is required. All financed cattle must be bought and sold through Pool facilities, but provision can be made to accommodate feedlot cattle enrolled in the stabilization program.

B. Supplier's Credit

The Farm Services Division of Saskatchewan Wheat Pool provides short term credit in the form of farm inputs such as seed, fertilizer, livestock feed, insecticide, etc.

Repayment Terms

Accounts are normally repayable monthly and are due upon the receipt of the statement of account.

How to Apply

Contact the Saskatchewan Wheat Pool Agent in your area.

Farm Suppliers

Many farm suppliers such as fuel and lubricant agents, seed and fertilizer suppliers and machinery dealers provide credit to purchase their goods and services. Credit from these companies may be for short and intermediate terms. Interest charges vary. Repayment terms also vary according to each customer's situation.

Insurance, Trust and Mortgage Companies

Long term loans are available with no maximum limits. Terms and conditions for agricultural loans are flexible depending on the need and security provided. First mortgages are required. Generally the interest rate varies with the risk and the repayment period of the loan. Farmers should contact their local real estate agent or other financial institutions in their area.

Merchants, Dealer and Finance Companies

Many forms of short and intermediate term credit are available from these sources. Credit from these sources is easy to obtain since they accept higher risk situations than the normal credit sources. To compensate for the increased risk, higher interest rates are charged.

Hatcheries and Feed Manufacturers

Some hatcheries and feed manufacturers are willing to finance the sale of pullets or chicks and feed to poultry producers. These loans are repaid when the birds are fed out and marketed. The producers pay a carrying charge for this service and may be required to carry insurance on the birds involved. Hatcheries and feed manufacturers are willing to offer this type of credit because the time involved in feeding out poultry is relatively short.

Also, feed manufacturers may be willing to carry short term charge accounts with egg producers, feedlots and hog operations.

Terms and conditions of this type of financing should be carefully considered before it is used.

Private Credit Sources

In some instances vendors of real estate will consider selling their house or land through an agreement for sale or outright by means of a mortgage. These credit documents stipulate the parties involved, the property involved and the repayment terms. Generally, the title transfers when an agreement for sale is paid in full. With a mortgage, title generally transfers when mortgage negotiations are completed.

Agreements for sale or mortgages should be drawn up with the assistance of a person trained in these matters.

Rental Agreements

Renting is a means of acquiring capital assets to expand a resource base. Rental payments are similar to paying interest on outstanding loans. Both are payments for the use of capital.

Rental arrangements for farm land can take two main forms; crop share and cash rent. Many possibilities exist for determining payment terms with each type of arrangement. Prospective tenants and landlords may be well advised to discuss alternatives with an agricultural representative, or a farm management specialist.

Farm machinery companies are developing lease and lease purchase agreements with farmers. This should be considered as an alternative to outright machine purchase. It may be advisable to survey different machinery companies for different terms and conditions of machinery leases.

Consumer Credit

Charge Accounts and Credit Cards

Many department stores, oil companies and other consumer retailers supply credit through charge accounts and credit cards. Generally, the terms are interest free to the end of the month or 30 days depending upon the purchase date. The terms and conditions of the monthly billing statement should include a statement of monthly and annual interest rates. Billing statements usually indicate a minimum monthly payment as well as the balance due.

Credit card companies issue credit cards that are accepted at most retail outlets. They also issue monthly statements which indicate the balance outstanding and the minimum monthly payment. The statement should also indicate the annual and monthly interest rate.

Consumer Loans

Banks, credit unions and finance companies are in the practise of making consumer loans for cars, stereos, furniture, televisions, etc. These loans are secured by chattel mortgages and/or personal notes. Interest rates and repayment terms are generally negotiable.

Appendix

Types of Agricultural Credit

In general there are three main types of agricultural credit based on time classification:

1. Short Term Credit

Short term loans are usually made for one year or less. Sometimes they are called seasonal loans, operating loans, revolving credit or line of credit. Their main purposes are to purchase seed, fuel, fertilizer, feed, machinery repairs, or to pay family living expenses until the crop or livestock is sold. Its best use is for financing seasonal operations which return the investment within a short period of time.

Interest rates are usually higher than intermediate or long term interest rates and repayment of the loan is due within a year or at the end of the season. Security may take the form of a personal note, bonds, savings, accounts, produce for sale, etc.

Major Sources

Chartered banks, credit unions, individuals, merchants, and dealers who are willing to sell their commodities on credit.

2. Intermediate Credit

These loans are made for two to ten years. This type of loan is mostly used to make purchases which will produce returns over a number of years. Typical loans are made for the purchase of farm machinery, breeding livestock, improvements to pastures, and purchase or construction of buildings. Most financial institutions extend intermediate credit on a chattel mortgage basis.

Major Sources

Provincial
- Agricultural Credit Corporation of Saskatchewan (ACS)
- Saskatchewan Economic Development Corporation (SEDCO)

Federal
- Farm Credit Corporation (FCC)
- Federal Business Development Bank (FBDB)

Other Agencies
- Chartered banks, credit unions, insurance, trust and mortgage companies and machinery dealers.

3. Long Term Credit

Long term loans are primarily for purchase of real estate. Loans are made available for a period up to 35 years. Credit is usually restricted to buying farmland, constructing new buildings, or other permanent improvements to real estate. This type of loan can be used to consolidate previous debts. Security is required in the form of a mortgage on real estate. Repayment terms usually are annual or semi-annual and the loans are usually paid on an amortized basis.

Major Sources

Provincial
- Saskatchewan Farm Purchase Program, Agricultural Credit Corporation of Saskatchewan and Saskatchewan Economic Development Corporation (SEDCO).

Federal
- Farm Credit Corporation (FCC), Federal Business Development Bank (FBDB) and Central Mortgage and Housing Corporation (CMHC).

Other Agencies
- Chartered banks, credit unions, insurance, trust and mortgage companies.